ANNUAL REPORT
1998/99

Yukon
Government Services

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ANNUAL REPORT
1998/99

July 28, 1999

We are pleased to present the Annual Report of the Property Management Agency (PMA) for fiscal year 1998/99.

This report describes the Agency, the services it provides and its accomplishments during our third year as a special operating agency.

1998/99 was a challenging year as we strove to refine the Agency's operations and improve customer service. PMA management and staff working together provided our customers with the results reported in this document.

Our challenge for the future will be to refine our service delivery methods and further reduce maintenance and management costs.

We thank our clients for their cooperation as we work toward our goals.

Pat Hogan
A/Director, Building Development

Pat Molloy
Director, Operations

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OVERVIEW

Effective April 1, 1996, the Property Management Agency began operating as a Special Operating Agency (SOA) focused on providing quality customer service and managing for results. This is the Agency's third annual report.

The Agency manages the government's properties to meet the operational space requirements of its customers, the departments and agencies of the Government of Yukon. Services are provided on a fee for service basis where the customer is responsible for obtaining funding for the services that it needs. Costs are recovered through Facility Management Agreements with the Agency's customers, the terms of which are negotiated within the normal business activities of the Agency. Fees are based on the anticipated costs of delivering the agreed upon package of services.

PMA's services are also provided to Yukon College, Workers' Compensation Health & Safety Board, and other non-government agencies. In all we manage more than 400 government owned and leased properties.

AGENCY STRUCTURE

Property Management Agency is a program of the Department of Government Services. It is subject to government legislation, directives and policy, and contributes to the overall mission, mandate and vision of the department.

The Agency Head, who is the Assistant Deputy Minister, Property Management, directs the day-to-day business of the Agency and reports to the Deputy Minister of Government Services.

An advisory board, consisting of a selection of customer representatives advises the Agency on the preparation of its annual business plans.

MISSION

The mission of the Property Management Agency is:

> *To help government departments and publicly funded agencies meet their objectives by procuring and managing facilities that will provide affordable, comfortable, and appropriate accommodation for their program activities.*

MANDATE

The role of the Property Management Agency is to procure facilities from the private sector and to manage the ongoing interests of the government as an owner and occupant of public facilities. As a central agency within government, PMA fulfills a need for specialized skills that are common to all government departments and agencies.

The mandate of the Property Management Agency is to carry out its mission and be accountable to the legislature for:

a) *Customer Service: Meeting the needs of government departments by delivering services to them in a flexible, customer oriented manner that enables them to focus their resources on their core business.*

b) Bottom Line Results: Managing the delivery of property management services in an entrepreneurial and business-like manner to ensure that the government's resources are used to maximize productivity and effectiveness.

c) *Public Policy: Meeting the public policy objectives of the Government of Yukon.*

SERVICES

The Agency's service offerings are divided into three major categories: Development, Facilities Management and Realty Services. PMA provides services for two basic categories of facilities:

- special purpose facilities, which are generally client sponsored buildings such as schools, institutions and grader stations; and

- commercial facilities, which are generally offices and warehouses that are leased or owned by Government Services.

Development

Development services are provided to help customers plan and acquire affordable and appropriate facilities for their program activities. Services include facilities planning and evaluation, functional programming, design, and construction management. Services are provided on a project-by-project basis, so that customer objectives and requirements for each project are fully understood and the scope and cost are adequately defined. A PMA project manager is assigned responsibility for working directly with the individual departments project sponsor on each project. Guidelines for defining process, roles and responsibilities are contained in the *Building Development Procedures Manual.*

PMA's planning program delivers such services as building condition reports, commercial space planning, post-project and post-occupancy evaluations, standardized contract documents and a collection of various benchmarking and costing data to assist our customers.

Facilities Management

The business of facilities management is to deliver comprehensive operational and maintenance support for government facilities. We ensure that our customers are provided with a comfortable working environment for their staff that includes day-to-day reliability as well as long-term maintenance of the building.

Services are provided under written facility management services agreements or under the terms of annual leases arranged through our Realty Services unit. Facility Management agreements are negotiated to meet each customer's needs while keeping in mind the need for prudent management of the government's assets. Services are usually divided into the following categories: maintenance, utilities, custodial, security, and grounds. Customers choose which of these they will manage themselves, and which they will request Property Management to manage on their behalf.

Realty Services

Realty Services allocates office and commercial space to Yukon government departments from the Yukon Government's inventory of owned and leased commercial space. Services offered include administering leases and managing the government's overall investment in commercial space. Through this activity, Property Management effectively acts as the "landlord" for Government Services owned space. Departments access this service when they need changes to their office space. Non-government organizations use the service when they want access to Yukon Government owned property, for example, the use of a parking lot for a celebration or the use of the Administration Building foyer for an event. The Agency determines the best course of action in the context of the government's overall strategy for managing commercial space and then initiates the necessary action within the Agency to meet the customer's needs.

MAJOR OPERATING HIGHLIGHTS

The Agency's 1998/99 Business Plan set its goals and operating objectives for the year, against which its performance could be measured. The major strategic and operational objectives and the progress that was made in 1998/99 are summarized below.

Objectives

1. Solidifying the Agency's Operations

Progress

- Increased awareness and understanding of the clients' programs and needs were gained. Communications with our clients aided in the planning of PMA's budget and allowed us to customize our service to each client's needs.

- Client service agreements in excess of eight point nine million dollars were negotiated and signed.

- The evolution of customer service agreements continued. Practical and concise definitions of service were communicated with our customers.

- The vision, goals, objectives and business plan were reviewed with staff to ensure that there was a complete understanding of the Agency's roles and responsibilities. Also the costing policies were reviewed with the managers so that they understood how the costs were allocated to buildings.

2. Improving Our Service and Accountability to Our Customers

Progress

- Customer satisfaction and feedback was monitored and acted upon. Staff queried clients by targeting specific work requests and phone calls were made to the client clarifying that the work request was completed in a timely and satisfactory manner.

- Costing policies were established and the data warehouse was programmed. The data warehouse is now up and running. The data warehouse allows PMA to produce costing reports at any time that will let the client know the number of hours and the dollars expended on their building. The warehouse also allows the managers to know the number of hours and the dollars expended on buildings that are their responsibility.

- A summary of the costing policies was forwarded to the clients.

- Starting half way through the year, financial reports from the data warehouse were forwarded to the clients on a quarterly basis.

3. Improved Utilization of Government Property

Progress

- Discussions were held with clients in the outlying community of Haines Junction to define their individual space requirements and to help develop long-range space plans.

- A space planner was hired to assist clients in identifying under-utilized, vacant and/or inappropriate space and to consolidate program space usage.

- An analysis of space needs was conducted in response to devolution initiatives and other potential program changes.

4. Improved Management of Government Property

Progress

- Information on government services buildings was entered into the Building Condition Reports. These reports will help provide a basis to determine future capital maintenance and upgrading needs and priorities. This information is available internally only at this point.

- We have continued implementation of a building energy management program. This work includes energy analysis to identify cost-effective projects and strategies to reduce energy cost, as well as monitoring of the design of new buildings, development of alternate energy proposals and updating of building design standards.

- The following energy projects were completed:
  - A dual fuel heating system conversion in the office portion of the supply services building. This part of the building can now be heated using either heating fuel or electricity
  - An upgrade to the building insulation and windows in the supply services building
  - Lighting retrofits in five buildings (Main Administration, Parks, Lynn (leased), 10 Burns Road (leased) and Royal Bank (leased))
  - An upgrade to car plugin controls in the education building
  - Application accepted under the federal Commercial Building Incentives Program (CBIP) for the new Mayo school. This is for a financial incentive for implementation of energy efficiency measures.
  - Assistance with planning for the proposed Watson Lake district heating system.
  - Modification of a number of lease agreements to make the Yukon Government responsible for heating fuel cost

5. New Service Initiatives

Progress

- Ongoing negotiation discussions were held with federal agencies to consider the advantages in utilizing PMA resources for project management and other services, especially in communities where economies of scale can be achieved.

PROPERTY MANAGEMENT AGENCY CAPITAL PROGRAM

(For Information Only)

The financial statement below illustrates the dollar value of work not accounted for under the Agency's SOA financial framework.

The Agency's Capital Program is funded by the following:
(1) Government Services Vote 16 which provides capital funding for delivery of PMA Capital Program; and ,
(2) Client "bill-back" basis for each project managed for our clients. Funds are spent through a transfer authorization from the sponsoring department.

Capital Program
Year Ended March 31, 1999
(in thousands of dollars)

(1) CAPITAL VOTE (PMA)	**1999**	**1998**
EXPENDITURES		
- Building Development Overhead	$1,289	$1,257
- Pre-engineering	7	29
- Common Facilities	990	77
- Energy Conservation Retrofits	287	34
- Capital Maintenance and Upgrades	393	407
- Property Management Equipment	131	32
- Old Crow Road	0	777
- Chateau Jomini	19	0
- Project Management Services	48	0
Total expenditures	**$ 3,164**	**$ 2,613**
(2) CLIENT "BILL-BACK" PROJECTS		
EXPENDITURES		
Capital Projects – Government Departments	$ 9,896	$ 13,764
Capital Projects – Corporations and Outside Agencies	145	95
Total expenditures	**$ 10,041**	**$ 13,859**
TOTAL PMA CAPITAL EXPENDITURES	**$ 13,205**	**$ 16,472**

Note to reader: This statement of capital expenditures is for information purposes only. This financial statement has not been audited.

Development Services

Fiscal year 1998/99 was a significant year for capital construction for the Agency with expenditures exceeding $9.2 million. This investment represents the continuation of the government's infrastructure development program to meet the program needs of our clients. During the year PMA managed 432 capital work requests for clients and completed 66 Government Services' capital projects.

Major 1998/99 projects included:

1. Replacement of Old Crow School
   Construction continued through the year with completion achieved in the summer of 1999.

2. Replacement of Ross River School
   Design work and tendering were completed so construction could begin in the summer of 1999.

3. School Additions and Renovations

   Christ the King Elementary School
   Renovations were completed to convert an existing industrial education shop into two new classroom spaces in order to meet requirements for instructional space.

   To complete the transformation of this school from a junior high school to elementary, site upgrades for new parking, vehicle access, bus loop and playground areas were required.

   Jack Hulland Elementary School
   A roofing replacement project was nearing completion on this school when a fire occurred causing substantial damage. The fire occurred at the end of August, shortly before the scheduled opening of the fall session. Emergency repairs were undertaken and the school was opened less than two weeks behind schedule. Repairs included extensive interior work and total replacement of the roofing over the majority of the building.

   Del Van Gorder School
   Renovations to this school were made to create a new science room.

   Porter Creek Secondary School
   Completion of the construction work and final documentation of "as constructed" conditions were completed in the current year.

   To complete the transformation to a secondary school, site upgrades were required to provide additional parking areas. Various hard and soft landscape items were also finished.

4. Taylor House Renovations
   A building that was considered to have some heritage value was acquired. When the building was purchased it was determined that major upgrades would be required to meet building codes and correct problems with the structural, architectural, mechanical and electrical components systems. Building development was mandated to stage construction to provide maximum opportunities for small contractors to bid on various portions of the work.

5. Whitehorse Waterfront Upgrades
   As an initiative to provide work for small contractors, various projects were undertaken including upgrades to two small residences, an old fire hall building, the WhitePass train depot and the grading of existing parking lots. Design and construction was phased accordingly. These projects continued though the year with some running into the next fiscal year.

6. YTG Supply Services Building
   Renovations were undertaken to this building to correct problems with the exterior envelope, mechanical and electrical systems. Poor insulation and high air infiltration through exterior walls were causing problems with energy consumption and occupant comfort. These have been corrected and the life expectancy of the building has been significantly extended.

7. First Nation Healing Centre
   This building was constructed as an addition to the Thompson Centre extended care facility. The main construction work was carried out by a First Nation construction company and will meet the needs of First Nation persons residing in the Thompson Centre.

Detailed Revenue Results

Balanced to FMA revenue received

Government Departments	Utilities	Custodial	Grounds	Security	Maintenance	Leases	Total
Community & Transp Serv	4,504	148,359	29,000	23,409	797,378		1,002,650
Education	81,854	3,341,014	250,000	72,315	2,705,736		6,450,919
Health & Social Services	34,080	12,900	16,650	5,220	647,388		716,238
Justice					165,270		165,270
Renewable Resources		4,162		2,484	66,313		72,959
Tourism	75,178	67,110	21,800	7,350	122,394		293,832
Fleet Vehicle Agency					30,000		30,000
Government Services	2,253,196	1,421,704	370,516	452,465	1,881,207	4,653,893	11,032,981
Government Departments	**2,448,812**	**4,995,249**	**687,966**	**563,243**	**6,415,686**	**4,653,893**	**19,764,849**
Other Agencies							
Workers' Compensation	65,000	24,950	7,000	1,500	25,245		123,695
Yukon Liquor Corp			3,700		46,390		50,090
Other Agencies	**65,000**	**24,950**	**10,700**	**1,500**	**71,635**		**173,785**
Total FMA (O&M)	**2,513,812**	**5,020,199**	**698,666**	**564,743**	**6,487,321**	**4,653,893**	**19,938,634**

PERFORMANCE AND BENCHMARKING RESULTS

Operating and Maintenance Volumes

PMA SERVICE	1998/99 Actuals			1997/98 Actuals		
	Gross Area Sq.Ft.	*Cost $*	*Cost Per Sq.Ft.*	*Gross Area Sq.Ft.*	*Cost $*	*Cost Per Sq.Ft.*
Utilities	1,172,232	2,431,000	2.07	1,156,821	2,539,000	2.19
Custodial	2,319,808	4,873,000	2.10	2,337,487	4,868,000	2.08
Security	1,887,088	478,000	0.25	1,725,399	452,000	0.26
Grounds	2,363,989	624,000	0.26	2,435,878	587,000	0.24
Commercial Lease	203,357	5,179,000	25.47	202,174	4,901,000	24.24
Maintenance	3,210,194	5,012,000	1.56	3,225,056	4,936,000	1.53
Facilities Management	3,210,194	2,003,000	0.62	3.225,056	2,620,000	0.81
Subtotals		**20,600,000**			**20,903,000**	
Services		131,000			217,000	
TOTAL O&M		**20,731,000**			**21,120,000**	

Gross area has been changed due to the implementation of the data warehouse. The data warehouse makes it possible to retrieve exact numbers for each different service. As the exact numbers are now available is was deemed to be appropriate to use these numbers. It should be noted that the clients must purchase the Maintenance and Facilities Management service but have the option of choosing any or all of the other services.

In comparison to the previous year the only real difference in cost per square foot is with commercial lease, utilities and Facilities Management. The reason for the increased cost for commercial lease was the increase in operating and renewal costs. The decrease in utilities was due to the warmer weather during the current year and the decreased fuel prices. The decrease in facilities management was due to positions not being filled while the incumbent was on secondment.

Revenue Highlights

The financial results and operating performance of the Agency were generally consistent with expectations, showing only slight increases over projections.

Revenue derived from operations was $20.688 million, representing an increase of $198,000 over the $20.44449 million projected in our 1998/99 Business Plan and a decrease of $564,000 over the $21.252 million in 1997/98. After expenses of $20.731 million, the net loss from operations was $43,000. This decrease in revenues was due to services being reduced for some clients.

CONCLUSION

The Agency has made significant progress towards meeting the objectives that were set in its Charter and 1998/99 Business Plan. In collaboration with the Agency's clients and service partners, a Business Plan for 1999/2000 was prepared. The new plan focuses on improving performance in the customer service, financial performance and public policy areas.

BDO

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Financial Statements
For the year ended March 31, 1999

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BDO Dunwoody LLP
Chartered Accountants

300 - 272 Victoria Street
Kamloops, B.C. V2C 1Z6
Telephone: (250) 372-9505
Telefax: (250) 374-6323

Auditors' Report

To the Executive Council Member responsible for
Government Services

We have audited the statement of financial position of Property Management Agency (A Special Operating Agency of Yukon Government Services) as at March 31, 1999 and the statements of financial activity and changes in financial position for the year then ended. These financial statements are the responsibility of the Property Management Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Property Management Agency as at March 31, 1999 and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

BDO Dunwoody LLP

BDO DUNWOODY LLP
Chartered Accountants

Kamloops, British Columbia
June 4, 1999

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Statement of Financial Position
As at March 31
(Thousands of dollars)

	1999	1998
Assets		
Current		
Accounts Receivable	$ 177	$ 88
Due from Government of Yukon (note 4)	729	786
	$ 906	874
Liabilities and Accumulated Surplus		
Current		
Accounts payable and accrued liabilities	$ 707	$ 632
Accumulated Surplus	199	242
	$ 906	$ 874

Legislative compliance (note 5)

Approved:

Deputy Minister
Yukon Government Services

Minister
Yukon Government Services

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Statement of Financial Activities
For the year ended March 31, 1999
(thousands of dollars)

	1999	1998
Revenue		
Legislative appropriations (note 3)	$ 11,029	$ 10,613
Facilities management (note 3)	8,908	9,299
Realty leases (note 3)	625	1,121
Project and development services (note 3)	126	219
	20,688	21,252
Expenses		
Maintenance (note 3)	5,012	4,936
Custodial	4,873	4,868
Leases	5,179	4,901
Utilities	2,431	2,539
Administration (note 3)	2,003	2,620
Grounds	624	587
Security	478	452
Project and development	131	217
	20,731	21,120
Net income (loss) for the year	(43)	132
Accumulated surplus, beginning of year	242	110
Accumulated surplus, end of year	$ 199	$ 242

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Statement of Changes in Financial Position
For the year ended March 31, 1999
(thousands of dollars)

	1999	1998
Cash provided (used) by		
Operating Activities		
Net income (loss) for the year	$ (43)	$ 132
Increase in non-cash working capital		
Accounts receivable	(89)	83
Accounts payable	75	(228)
	(57)	(13)
Investing activity		
Due to (from) Government of Yukon	57	13
Change during year	$ -	$ -

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Notes to the Financial Statements
For the year ended March 31, 1999
(thousands of dollars)

1. Authority and Operations

The Agency was established as a Special Operating Agency under the Property Management Agency Charter with the approval of the Cabinet of the Government of Yukon and commenced operations on April 1, 1996.

The Agency is a program of the Department of Government Services that is responsible for the procurement and management of appropriate, affordable operational facilities for government departments and certain publicly funded entities. The Agency is accountable for its activities as described in its charter. As a program of the Department, the Agency is subject to government legislation, directives and policy.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of the financial statements.

a) Accounts Receivable
Accounts receivable are recorded at the lower of cost and net realizable value.

b) Services provided by Government of Yukon without charge
The Agency does not record the value of services it receives without charge. These services include the following:
- Use of office furniture and fixtures
- Program equipment
- Interest free legislation appropriation and other advances from the Government of Yukon

c) Pensions
The employees of the Agency are deemed to be employees of the Government of Yukon. Both the Agency and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Agency is only liable for current contributions which are expended in the accounts on a current basis.

d) Financial Instruments
The Agency's financial instruments consist of accounts receivables, due from Governemt of Yukon, accounts payable, and accured liabilities. Unless noted otherwise, it is managements opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Related Party Transactions

As a program of the Department of Government Services of the Government of Yukon, the agency is related to other government departments and Crown Corporations. At year end the agency had $66 ($28 in 1998) due from other government departments and Crown Corporations, and $32 ($3 in 1998) due to other government departments and Crown Corporations.

Included in the Agency's revenue and expenses are the following related party transactions:

	1999	1998
Revenue		
Legislative Appropriations	$ 11,029	$ 10,613
Government Departments	9,051	10,041
Corporations	391	407
	$ 20,471	$ 21,061

3. Related Party Transactions (continued)

Expenses		
Fleet Vehicle Agency	$ 378	$ 377
Government Services (Stores)	165	176
Community & Transportation Services	3	3
	$ 546	$ 556

4. Due from Government of Yukon

Due from Government of Yukon is a long-term receivable of the Agency consisting of the balance of cash received and disbursed by the Government of Yukon on behalf of the Agency, since the Agency's establishment April 1, 1996.

The receivable is non-interest bearing with no fixed terms of repayment.

5. Legislative compliance

The Property Management Revolving Fund is governed by subsection 44.2 of the Financial Administration Act.

- 44.2(1) states that the Fund limit shall be $250,000. The balance of the Revolving Fund at March 31, 1999 was $199,000 (1998 - $242,000).
- 44.2(2) states that the accumulated capital and operations and maintenance expenditures, excluding amortization, shall not exceed the accumulated revenues in the Fund at the time of expenditure. The following schedule shows that this legislative requirement has been met.

	1999	1998
	(thousands of dollars)	
Opening Balance, April 1	$ 242	$ 110
Revenue	20,688	21,252
	20,930	21,362
Operating and maintenance expenditures	20,731	21,120
Capital expenditures	-	-
Less: Amortization	-	-
	20,731	21,120
Excess of revenue over expenditures as defined in subsection 44.2(2)	$ 199	$ 242

- 44.2(3) states that capital expenditures from the fund shall not exceed $100,000 in a fiscal year. Capital expenditures for the year ended March 31, 1999 were nil.

6. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if this issue is not addressed, the impact on operatons and financial reporting may range from minor errors to significant systems failure which could affect the Government's ability to conduct normal business operations.

The Government is currently working to resolve the potential effect of the year 2000 issue on its operations. Despite the Government's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Government, including those related to the efforts of customers, suppliers or other third parties, will be resolved.